
Iran: United States Concerns and Policy Responses

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[The following are excerpts from the March 13, 2009 update to the subject report by the Congressional Research Service, March 13, 2009. Some of the footnotes have been omitted because the paragraphs containing the footnote have been omitted.]

The Bush Administration characterized Iran as a “profound threat to U.S. national security interests;” a perception generated primarily by Iran’s nuclear program and its military assistance to armed groups in Iraq and Afghanistan, to the Palestinian group Hamas, and to Lebanese Hezbollah. The Bush Administration’s approach was to try to prevent a nuclear breakout by Iran by applying multilateral economic pressure on Iran while also offering it potential cooperation should it comply with the international demands to suspend its enrichment of uranium. The incorporation of diplomacy and engagement into the overall U.S. strategy led the Administration to approve the participation of a high-level State Department official at multilateral nuclear talks with Iran on July 19, 2008. To strengthen its approach, the Bush Administration maintained a substantial naval presence in the Persian Gulf, which U.S. Commanders insist would prevent any Iranian attempts to close the crucial Strait of Hormuz for any extended period.

President Obama has said his Administration shares the goals of the previous Administration on Iran, and Secretary of State Clinton has said she shares the perception that Iran is trying to undermine many U.S. goals in the Middle East, but Obama Administration officials say that there is need for new strategies and approaches. First and foremost, according to President Obama, [the goal] is to look for opportunities to expand direct engagement with Iran. His Administration also appears to be de-emphasizing potential U.S. military action, although without ruling that out completely, and efforts to promote democracy in Iran. Yet, there is debate among experts over whether such shifts would yield clearer results. The policy decisions come as Iran enters its run-up to June 12, 2009 presidential elections, which, now that former President Mohammad Khatemi and other reformists have entered the race, might produce more moderate leadership in Iran.

The multilateral efforts to pressure Iran include three United Nations (U.N.) Security Council resolutions (1737, 1747, and 1803) that ban weapons of mass destruction (WMD) related trade with Iran, freeze the assets of Iran’s nuclear and related entities and personalities, prevent Iran from transferring arms outside Iran, ban or require reporting on international travel by named Iranians, call for inspections of some Iranian sea and airborne cargo shipments, and call for restrictions on dealings with some Iranian banks. Further the U.N. Security Council sanctions have been under consideration. Separate U.S. efforts to persuade European governments to curb trade, investment, and credits to Iran and to convince foreign banks not to do business with Iran are beginning to weaken Iran’s economy, compounding the effect of a sharp drop in oil prices since mid-2008. Bills in the 110th Congress, including: H.R. 1400, H.R. 7112, H.Con.Res. 362, S. 970, S. 3227, S. 3445, and S.Res. 580, versions of which might be introduced in the 111th Congress, would tighten U.S. sanctions on Iran.

United States Policy Responses, Options, and Legislation

The February 11, 1979 fall of the Shah of Iran, a key U.S. ally, opened the long and deep rift in U.S.-Iranian relations. November 4, 1979, radical “students” seized the U.S. Embassy in Tehran and held its diplomats hostage until minutes after President Reagan’s inauguration on January 20, 1981. The U.S. broke relations with Iran on April 7, 1980 (just after the failed U.S. military attempt to rescue the hostages); and the two countries have had only limited official contact since.¹ The United States tilted toward Iraq in the 1980-1988 Iran-Iraq war, including U.S. diplomatic attempts to block conventional arms sales to Iran; providing battlefield intelligence to Iraq;² and, during 1987-1988, direct skirmishes with Iranian naval elements in the course of U.S. efforts to protect international oil shipments in the Gulf from Iranian mines and other attacks. In one battle on April 18, 1988 (“Operation Praying Mantis”), Iran lost about a quarter of its larger naval ships in a one-day engagement with the U.S. Navy, including one frigate sunk and another badly damaged. Iran strongly disputed the U.S. assertion that the July 3, 1988 U.S. shoot-down of Iran Air Flight 655 by the U.S.S. Vincennes over the Persian Gulf bound for Dubai, United Arab Emirates (UAE) was an accident.

In his January 1989 inaugural speech, President George H.W. Bush laid the groundwork for a rapprochement, saying that, in relations with Iran, “goodwill begets goodwill,” implying better relations if Iran helped obtain the release of U.S. hostages held by Hezbollah in Lebanon. Iran reportedly did assist in obtaining their releases, which was completed in December 1991; but no thaw followed, possibly because Iran continued to back groups opposed to the U.S.-sponsored Middle East peace process, a major U.S. priority.

Policy during the Clinton and Bush Administrations

Upon taking office in 1993, the Clinton Administration moved to further isolate Iran as part of a strategy of “dual containment” of Iran and Iraq. In 1995 and 1996, the Clinton Administration and Congress added sanctions on Iran in response to growing concerns about Iran’s weapons of mass destruction, its support for terrorist groups, and its efforts to subvert the Arab-Israeli peace process. The election of Khatemi in May 1997 precipitated a U.S. shift toward engagement; the Clinton Administration offered Iran official dialogue with no substantive preconditions. In January 1998, Khatemi publicly agreed to “people-to-people” U.S.-Iran exchanges as part of his push for “dialogue of civilizations;” but he ruled out direct talks. In a June 1998 speech, then Secretary of State Albright stepped up the U.S. outreach effort by calling for mutual confidence building measures that could lead to a “road map” for normalization of relations. Encouraged by the reformist victory in Iran’s March 2000 parliamentary elections, Secretary Albright, in a March 17, 2000 speech, acknowledged past U.S. meddling in Iran, announcing some minor easing of the U.S. trade ban with Iran, and promised to try to resolve outstanding claims disputes. In September 2000 U.N. “Millennium Summit” meetings, Albright and President Clinton sent a positive signal to Iran by attending Khatemi’s speeches.

1 An exception was the abortive 1985-1986 clandestine arms supply relationship with Iran in exchange for some American hostages held by Hezbollah in Lebanon (the so-called “Iran-Contra Affair”). Iran has an interest section in Washington, DC under the auspices of the Embassy of Pakistan; it is staffed by Iranian-Americans. The U.S. interest section in Tehran has no American personnel; it is under the Embassy of Switzerland.

2 Elaine Sciolino, *The Outlaw State: Saddam Hussein’s Quest for Power and the Gulf Crisis* (New York: John Wiley and Sons, 1991), p.168.

President Bush Administration Policy

The Bush Administration policy priority was to prevent Iran from obtaining a nuclear weapons capability, believing that a nuclear Iran would be even more assertive in attempting to undermine U.S. objectives in the Middle East than it already is. The Bush Administration undertook multifaceted efforts to limit Iran's strategic capabilities through international diplomacy and sanctions—both international sanctions as well as sanctions enforced by its allies—outside Security Council mandate. At the same time, the Administration engaged in bilateral diplomacy with Iran on specific priority issues, such as stabilizing Afghanistan and Iraq. The policy framework was supported by maintenance of large U.S. conventional military capabilities in the Persian Gulf and through U.S. alliances with Iran's neighbors.

At times, the Bush Administration considered or, to some extent, pursued harder line options. Some Administration officials, reportedly led by Vice President Cheney, believed that policy should focus on using the leverage of possible military confrontation with Iran or on U.S. efforts to change Iran's regime.³ Legislation in the 110th Congress indicated support for increasing U.S. sanctions and for steps to compel other foreign companies to curtail their business dealings with Iran.⁴

Overview of Obama Administration Policy

The Obama Administration officials say the Administration shares the goals of the previous Administration to prevent Iran from acquiring a nuclear weapons capability, as well as the long-standing assessment that Iran is meddling in the affairs of its neighbors and trying to frustrate some regional U.S. initiatives. However, President Obama has said the United States would be responsive to an Iranian “unclenched fist” and that the Administration is developing a “new approach” that includes more direct diplomacy with Iran than was the case during the Bush Administration. At a February 9, 2009 news conference, President Obama said:

My national security team is currently reviewing our existing Iran policy, looking at areas where we can have constructive dialogue, where we can directly engage with them. And my expectation is, in the coming months, we will be looking for openings that can be created where we can start sitting across the table, face to face, diplomatic overtures that will allow us to move our policy in a new direction.

In response, Iranian President Mahmoud Ahmadinejad said that Iran is ready for direct talks with the United States if they were conducted in a “fair atmosphere with mutual respect.” In contrast to the Bush Administration, the Obama Administration officials have not indicated support for military action should Iran continue to pursue its nuclear program—although that option has not been explicitly taken “off the table” by President Obama—or for regime-change options to accomplish those goals.

Some Obama Administration officials, including Dennis Ross, who was named in late February 2009 as an adviser to Secretary of State Clinton for “Southwest Asia,” a formulation understood to center on Iran, believe that direct diplomacy alone will not necessarily persuade Iran to alter course. Ambassador Ross has, in outside writings, called for U.S. partners to present Iran with clear alternatives to its policies—both clearer incentives and clearer punishments if Iran continues to refuse cooperation

3 Helene Cooper and David Sanger, “Strategy on Iran Stirs New Debate at White House,” *New York Times* (June 16, 2007).

4 The *FY 2007 Defense Authorization Law* (PL 109-364) called for a report by the Administration on all aspects of U.S. policy and objectives on Iran (and required the DNI [Director of National Intelligence] to prepare a national intelligence estimate on Iran, which was released on December 3, 2007 as discussed above).

on the nuclear issue, in particular. At the same time, as discussed above, Obama Administration official Susan Rice (Ambassador to the U.N.) has said the U.S. diplomacy with Iran will complement, not supplant, the multilateral diplomacy that was begun during the Bush Administration.

Containment and Possible Military Action

The Bush Administration consistently maintained that military action to delay or halt Iran's nuclear program was an option that was "on the table;" but, as noted, the Obama Administration has not indicated a similar inclination to highlight this option. Although some members publicly oppose most forms of military action against Iran, others fear that diplomacy and sanctions might not succeed and [feel] that preventing Iran from acquiring a working nuclear device is paramount. A U.S. ground invasion to remove Iran's regime has not, at any time, appeared to be under serious consideration in part because of the heavy strains on U.S. forces from the Afghanistan and Iraq conflicts.

Proponents of U.S. air and missile strikes against suspected nuclear sites argue that military action could set back Iran's nuclear program because there are only a limited number of key targets and these targets are known to U.S. planners and could be struck, even those that are hardened or buried.⁵ Estimates of the target set range from 400 nuclear and other weapons of mass destruction (WMD) related targets to potentially a few thousand targets whose destruction would cripple Iran's economic and military infrastructure. At least 75 targets are underground or hardened. Those who take an expansive view of the target set argue that the U.S. would need to reduce Iran's potential for retaliation by striking not only nuclear facilities but also Iran's conventional military, particularly its small ships and coastal missiles.

Still others argue that there are military options available that do not involve air or missile strikes. Some say that a naval embargo or related embargo is possible that could pressure Iran into reconsidering its stand on the nuclear issue. Such action was "demanded" in H.Con.Res. 362 [more on this bill follows]. Others say that the imposition of a "no-fly zone" over Iran might also serve that purpose. Either action could still be considered acts of war and could escalate into hostilities.

Most U.S. allies in Europe, not to mention Russia and China, oppose military action. These states tend to agree with experts who maintain that the U.S. is not necessarily aware of or militarily able to reach all relevant sites; other opponents believe any benefits would be minor or only temporary and that the costs of a strike are too high. Some believe that a U.S. strike would cause the Iranian public to rally around Iran's regime, setting back efforts to promote moderation within Iran. On the other hand, some European and other diplomats say that France and Britain might back or even join a military strike if Iran were to begin an all-out drive toward a nuclear weapon.

An Israeli Strike?

Israeli officials view a nuclear armed Iran as an existential threat and have repeatedly refused to rule out the possibility that Israel might strike Iran's nuclear infrastructure. Speculation about this possibility increased on June 7, 2008 when Israeli Deputy Prime Minister Shaul Mofaz said that an attack on Iran is becoming "unavoidable" because it continues to refuse to curb its nuclear program. Speculation increased further in mid-June 2008 when Israeli officials confirmed reports that Israel had practiced a long range strike such as that which would be required to hit Iranian nuclear sites. Press reports in January 2009 say the Bush Administration actively discouraged a purported Israeli plan in

⁵ For an extended discussion of U.S. air strike options on Iran, see Paul Rogers, *Iran: Consequences of a War* (Oxford Research Group, February 2006).

2008 to undertake such a mission. Still, some believe that recent Israeli statements highlighting Iran's nuclear progress suggest increasing Israeli nervousness that might prompt Israeli leaders to act, with or without U.S. approval.

Although Israeli strategists say this might be a viable option, several experts doubt that Israel has the capability to make such action sufficiently effective to justify the risks. U.S. military leaders are said by observers to believe that an Israeli strike would inevitably draw the U.S. into a conflict with Iran, yet without the degree of planning, preparation, or capability that would make a similar U.S. action a success.

Iranian Retaliatory Scenarios⁶

Some officials and experts warn that a U.S. military strike on Iran could provoke unconventional retaliation; using the equipment discussed in the [full report's] section on "conventional military capabilities," that could be difficult to counter. At the very least, such conflict is likely to raise world oil prices significantly out of fear of an extended supply disruption. Others say such action would cause Iran to withdraw from the Non-Proliferation Treaty (NPT) and refuse any International Atomic Energy Agency (IAEA) inspections. Other possibilities include firing missiles at Israel—and Iran's July 2008 missile tests could have been intended to demonstrate this retaliatory capability—or directing Lebanese Hezbollah or Hamas to fire rockets at Israel. Iran could also step up arms shipments to anti-U.S. militias in Iraq and Afghanistan.

Iran has acquired a structure and doctrine for unconventional warfare that partly compensates for its conventional weakness. Then U.S. Central Command (CENTCOM) Commander General John Abizaid said in March 2006 that the Revolutionary Guard Navy, through its basing and force structure, is designed to give Iran a capability to "internationalize" a crisis in the Strait of Hormuz. On January 30, 2007, his replacement at CENTCOM, Admiral William Fallon said:

Based on my read of their military hardware acquisitions and development of tactics . . . [the Iranians] are posturing themselves with the capability to attempt to deny us the ability to operate in [the Strait of Hormuz].

(General David Petraeus became CENTCOM Commander in September 2008.) In July 2008, Iran again claimed it could close the Strait in a crisis; but the then Commander of U.S. naval forces in the Gulf, Admiral Kevin Cosgriff, backed by Joint Chiefs Chairman Mullen, said U.S. forces could quickly reopen the waterway.

Iran has nonetheless tried to demonstrate that it is a capable force in the Gulf. It has conducted at least five major military exercises since August 2006, including exercises simultaneous with U.S. exercises in the Gulf in March 2007. Iran has repeatedly stated it is capable of closing the Strait of Hormuz and would do so if attacked. In early 2007, Iranian ships were widening their patrols, coming ever closer to key Iraqi oil platforms in the Gulf. In February 2007, Iran seized 15 British sailors that Iran said were patrolling in Iran's waters, although Britain says they were in Iraqi waters performing coalition-related searches. They were held until April 5, 2007. On January 6, 2008, the U.S. Navy reported a confrontation in which five Islamic Revolutionary Guard Corps (IRGC) Navy small boats approached three U.S. Navy ships to the point where they manned battle stations. The IRGC boats veered off before any shots were fired, but the Bush Administration called it a "provocative act" and

⁶ See also Washington Institute for Near East Policy. *The Last Resort: Consequences of Preventive Military Action Against Iran*, by Patrick Clawson and Michael Eisenstadt (June 2008).

filed a formal protest with Tehran. The IRGC could have been testing U.S. rules of engagement following the U.S. sanctions imposed on the IRGC and its subunits. Another incident occurred in April 2008 when a ship under U.S. contract fired a shot to warn off Iranian boats in the Gulf. In October 2008, Iran announced it is building several new naval bases along the southern coast, including at Jask, indicating enhanced capability to threaten the entry and exit to the Strait of Hormuz.

If there were a conflict in the Gulf, some fear that Iran might try to use large numbers of boats to attack U.S. ships or to lay mines in the Strait. In April 2006, Iran conducted naval maneuvers, including test firings of what Iran claims are underwater torpedoes that can avoid detection, presumably for use against U.S. ships in the Gulf, and a surface-to-sea radar-evading missile launched from helicopters or combat aircraft. U.S. military officials said the claims might be an exaggeration. The Gulf States fear that Iran will fire coastal-based cruise missiles at their oil loading or other installations across the Gulf, as happened during the Iran-Iraq war.

Containment and the Gulf Security Dialogue

The Bush Administration tried to strengthen containment of Iran by enhancing the military capabilities of U.S. regional allies. An assertive military containment component of Bush Administration policy was signaled in the January 10, 2007 Iraq “troop surge” statement by President Bush. In that statement, he announced that the U.S. was sending a second U.S. aircraft carrier group into the Gulf,⁷ extending deployment of Patriot anti-missile batteries in the Gulf, reportedly in Kuwait and Qatar, and increasing intelligence sharing with the Gulf states. Secretary of Defense Gates said at the time that he saw the U.S. buildup as a means of building leverage against Iran that could be useful in bolstering U.S. diplomacy. An April 2008 deployment of a second carrier group to the Gulf was, according to Secretary Gates, a “reminder” to Iran of U.S. capabilities in the Gulf.

The U.S. Gulf deployments build on a containment strategy inaugurated in mid-2006 by the State Department, primarily by the Bureau of Political-Military Affairs (“Pol-Mil”). The State Department effort represented an effort to revive some of the U.S.-Gulf state defense cooperation that had begun during the Clinton Administration but had since languished as the U.S. focused on the post-September 11, 2001 wars in Afghanistan and Iraq. In a December 8, 2007 speech in Bahrain, Secretary Gates said the “Gulf Security Dialogue” has six key pillars including:

- Defense cooperation (with the Gulf States)
- Developing a shared assessment and agenda on Iraq
- Regional stability, especially with respect to Iran
- Energy infrastructure security
- Counter-proliferation
- Counterterrorism

One goal of the initiative is on boosting Gulf state capabilities’ fueled speculation about major new weapons sales to the Gulf Cooperation Council (GCC) States. The emphasis of the sales is to improve Gulf state missile defense capabilities, for example by sales of the upgraded Patriot Advanced Capability-3 (PAC-3),⁸ as well as to improve border and maritime security equipment through sales

⁷ Thom Shanker, “U.S. and Britain to Add Ships to Persian Gulf in Signal to Iran,” *New York Times* (December 21, 2006).

⁸ “New Persian Gulf Security Effort Expected to Fuel Arms Sales in Fiscal Year 2007,” *Inside the Pentagon* (November 9, 2006).

of combat littoral ships, radar systems, and communications gear. The initial sales, including PAC-3 related sales to UAE and Kuwait and Joint Direct Attack Munitions (JDAMs) to Saudi Arabia and UAE, were notified to Congress in December 2007 and January 2008. A sale to UAE of the very advanced Theater High Altitude Area Defense (THAAD) has also been notified.

The Obama Administration has not stated a position on whether it will continue the Gulf Security Dialogue program at all or in the same form. Some believe that the new Administration's emphasis on diplomacy will likely lead to a downgrading or perhaps discontinuation of the policy.

Presidential Authorities and Legislation

A decision to take military action might raise the question of Presidential authorities. In the 109th Congress, H.Con.Res. 391, introduced on April 26, 2006, called on the President to not initiate military action against Iran without first obtaining authorization from Congress. A similar bill, H.Con.Res. 33, was introduced in the 110th Congress. Other bills requiring specific congressional authorization for use of force against Iran (or prohibiting U.S. funds for that purpose) include S.Res. 356, H.J.Res. 14, H.R. 3119, S.Con.Res. 13, S. 759, and H.R. 770. An amendment to H.R. 1585, the *National Defense Authorization Act for Fiscal Year 2008*, was defeated 136 to 288. A provision that sought to bar the Administration from taking military action against Iran without congressional authorization was taken out of an early draft of an fiscal year (FY) 2007 supplemental appropriation (H.R. 1591) to fund additional costs for Iraq and Afghanistan combat (which was vetoed on May 1, 2007). Other provisions, including requiring briefings to Congress about military contingency planning related to Iran's nuclear program, [are] in the House-passed FY 2009 defense authorization bill (H.R. 5658).

Regime Change

A major feature of Bush Administration policy for part of 2006—promotion of “regime change”—later appeared to recede. The Obama Administration is emphasizing dialogue with Iran and has already begun to distance itself from the prior Administration's attraction to this option.

The Bush Administration said that the democracy promotion programs [discussed in the table “Iran Democracy Promotion Funding”] were intended to promote political evolution in Iran and change regime behavior, not to overthrow the regime. A few accounts, such as “Preparing the Battlefield” by Seymour Hersh in the *New Yorker* (July 7 and 14, 2008), say that President Bush authorized U.S. covert operations to destabilize the regime,⁹ involving assistance to some of the ethnic-based armed groups discussed [previously]. CRS has no way to confirm assertions in the Hersh article that up to \$400 million was appropriated and/or used to aid the groups mentioned. In January 2009, Iran tried four Iranians on charges of trying to overthrow the government with the support of the U.S.

There has been some support in the U.S. for regime change since the 1979 Islamic revolution; the U.S. provided some funding to anti-regime groups, mainly pro-monarchists, during the 1980s.¹⁰ The Bush Administration's belief in this option became apparent after the September 11, 2001 attacks when President Bush described Iran as part of an “axis of evil” in his January 2002 State of the Union

9 Brian Ross and Richard Esposito, “Bush Authorizes New Covert Action Against Iran,” http://blogs.abcnews.com/theblotter/2007/05/bush_authorizes.html.

10 CRS conversations with U.S. officials responsible for Iran policy, 1980-1990. After a period of suspension of such assistance, in 1995, the Clinton Administration accepted a House-Senate conference agreement to include \$18-\$20 million in funding authority for covert operations against Iran in the *FY 1996 Intelligence Authorization Act* (H.R. 1655, PL 104-93), according to a *Washington Post* report of December 22, 1995. The Clinton Administration reportedly focused the covert aid on changing the regime's behavior, rather than its overthrow.

message. President Bush's second inaugural address (January 20, 2005) and his State of the Union messages of February 2, 2005 and January 31, 2006 suggested a clear preference for a change of regime by stating, in the latter speech, that "our nation hopes one day to be the closest of friends with a free and democratic Iran." Indications of affinity for this option include increased public criticism of the regime's human rights record as well as the funding of Iranian pro-democracy activists. However, the Bush Administration shifted away from this option as a strategy, employing multilateral sanctions; and diplomacy took form in 2006, in part because U.S. partner countries believe regime change policies harm diplomacy.

Legislation in the 109th Congress exemplified the preference of some members for regime change in Iran by authorizing funding for democracy promotion, among other provisions. In the 109th Congress, H.R. 282 passed the House on April 26, 2006 by a vote of 397-21. A companion, S. 333, was introduced in the Senate. The Administration supported the democracy-promotion sections of these bills. Major provisions were included in H.R. 6198, which was introduced on September 27, 2006, passed by both chambers, and signed September 30, 2006 (PL 109-293). Entitled the *Iran Freedom Support Act*, it authorized funds (no specific dollar amount) for Iran democracy promotion and modified the *Iran Sanctions Act*.

Many question the prospects of U.S.-led Iran regime change through democracy promotion or other means, short of all-out-U.S. military invasion, because of the weakness of opposition groups. Providing overt or covert support to anti-regime organizations, in the view of many experts, would not make them materially more viable or attractive to Iranians. The regime purportedly also conducts extensive regime surveillance of democracy activists or other internal dissidents. Iran has been arresting civil society activists by alleging they are accepting the U.S. democracy promotion funds, while others have refused to participate in U.S.-funded programs, fearing arrest. The highest profile such arrest came in May 2007—Iranian-American scholar Haleh Esfandiari, of the Woodrow Wilson Center in Washington, D.C., was subsequently imprisoned for several months.¹¹

The DOS has been the implementer of U.S. democracy promotion programs. In 2006, the Administration began increasing the presence of Persian-speaking U.S. diplomats in U.S. diplomatic missions around Iran, in part to help identify and facilitate Iranian [participation] in U.S. democracy-promotion programs. The Iran unit at the U.S. consulate in Dubai has been enlarged significantly into a "regional presence" office. And new "Iran-watcher" positions have been added to U.S. diplomatic facilities in:

- Baku, Azerbaijan
- Istanbul, Turkey
- Frankfurt, Germany
- London
- Ashkabad, Turkmenistan

11. Three other Iranian Americans were arrested and accused by the Intelligence Ministry of actions contrary to national security in May 2007: U.S.-funded broadcast (Radio Farda) journalist Parnaz Azima (who was not in jail but was not allowed to leave Iran), Kian Tajbacksh of the Open Society Institute funded by George Soros, and businessman and peace activist Ali Shakeri. Several congressional resolutions called on Iran to release Esfandiari (S.Res. 214, agreed to by the Senate on May 24; H.Res. 430, passed by the House on June 5; and S.Res. 199). All were released by October 2007.

All of which have large expatriate Iranian populations and/or proximity to Iran.¹² An enlarged (eight person) “Office of Iran Affairs” has been formed at the DOS, and it is reportedly engaging in contacts with U.S.-based exile groups such as those discussed earlier. The DOS has used funds provided in recent appropriations to support pro-democracy programs run by 26 organizations based in the U.S. in Europe; the Department refuses to name grantees for security reasons. Part of the program has been to promote people-to-people exchanges which might help alter the image of the U.S. in Iran; to date the DOS has sponsored exchanges with about 150 Iranian academics, professionals, athletes, artists, and medical professionals. The Department has also formed a Persian-language web site. Iran asserts that funding democracy promotion represents a violation of the 1981 “Algiers Accords” that settled the Iran hostage crisis and provide for non-interference in each others’ internal affairs.

Funding

As shown in the table “Iran Democracy Promotion Funding,” \$67 million has been appropriated for Iran democracy promotion (\$19.6 million through DRL [Bureau of Democracy, Human Rights, and Labor] and \$48.6 million through the Bureau of Near Eastern Affairs/U.S. Agency for International Development (USAID). Of that, as of October 2008, \$42.7 million has been obligated and \$20.8 million disbursed. Additional funds, discussed in the table, have been appropriated for cultural exchanges, public diplomacy, and broadcasting to Iran. However, the Obama Administration did not request funding for democracy promotion in Iran in its FY 2010 budget request, an indication that the new Administration views this effort as inconsistent with its belief in dialogue with Iran. Funding for radio and television broadcasting programs to Iran are expected to continue however.

Iran Democracy Promotion Funding

Fiscal Year 2004

Foreign operations appropriation (PL 108-199) earmarked \$1.5 million for “educational, humanitarian, and non-governmental organizations and individuals inside Iran to support the advancement of democracy and human rights in Iran.” The State Department Bureau of Democracy and Labor (DRL) gave \$1 million to the IHDC [Iran Human Rights Documentation Center] organization and \$500,000 to National Endowment for Democracy (NED).

Fiscal Year 2005

\$3 million funded from FY 2005 foreign aid appropriation (PL 108-447) for democracy promotion. Priority areas were: political party development, media development, labor rights, civil society promotion, and human rights.

Fiscal Year 2006 Regular

\$11.15 [million] for democracy promotion funded from regular FY 2006 foreign aid appropriation (PL 109-102). \$4.15 million administered by DRL and \$7 million for the Bureau of Near Eastern Affairs.

Fiscal Year 2006 Supplemental

Total of \$66.1 million funded (of \$75 million requested) from FY 2006 supplemental (PL 109-234): \$20 million for democracy promotion (\$5 million above request), \$5 million for public diplomacy directed at the Iranian population (amount requested), \$5 million for cultural exchanges (amount requested), and \$36.1 million for Voice of America-TV and “Radio Farda” broadcasting (\$13.9 million less than request). Of all FY 2006 funds, the State Department said on June 4, 2007 that \$16.05 million was obligated for democracy promotion programs, as was \$1.77 million for public diplomacy and \$2.22 million for

12. Farah Stockman, “‘Long Struggle’ With Iran Seen Ahead,” *Boston Globe* (March 9, 2006).

Iran Democracy Promotion Funding (Continued)

cultural exchanges (bringing Iranian professionals and language teachers to the United States). Broadcasting funds provided through the Broadcasting Board of Governors began under Radio Free Europe/Radio Liberty (RFE/RL) in partnership with the Voice of America (VOA) in October 1998. 13 Farda ("Tomorrow" in Farsi) received \$14.7 million of FY2006 funds [and] now broadcasts 24 hours/day. VOA Persian services (radio and TV) combined cost about \$10 million per year. VOA-TV began on July 3, 2003 and now is broadcasting to Iran 12 hours a day.

Fiscal Year 2007

FY2007 continuing resolution provided \$6.55 million for Iran (and Syria) to be administered through DRL. \$3.04 million was used for Iran. No funds were requested.

Fiscal Year 2008

\$60 million (of \$75 million requested) is contained in Consolidated Appropriation (H.R. 2764, PL 110-161), of which \$21.6 million is ESF [Economic Support Fund] for pro-democracy programs, including non-violent efforts to oppose Iran's meddling in other countries. \$7.9 million is "Development Funds" for use by DRL. Appropriation also fully funds additional \$33.6 million requested for Iran broadcasting: \$20 million for VOA Persian service, \$8.1 million for Radio Farda, and \$5.5 million for exchanges with Iran.

Fiscal Year 2009

[\$65 million was requested] in ESF "to support the aspirations of the Iranian people for a democratic and open society by promoting civil society, civic participation, media freedom, and freedom of information." H.R. 1105 (PL 111-8) provides \$15 million for democracy promotion programs in Iran and several other countries.

Engagement

The Obama Administration's belief in sustained, direct engagement with Iran is a pronounced difference [from] its predecessor. However, there continues to be debate within the Obama Administration over the degree of engagement, the level, and the timing of the diplomacy, particularly that which is to be conducted before Iran's June 2009 election. As noted, the clearest initiative to date has been the public invitation for Iran to attend the March 31, 2009 conference on Afghanistan to be held in the Netherlands. President Ahmadinejad has said Iran is ready for such dialogue if it is part of a fundamental change in the U.S. stance from what Iran sees as hostility. At the same time, Secretary of State Clinton reportedly has expressed to some Arab leaders substantial skepticism over whether the engagement would cause Iran to moderate its regional policies.

Enhanced United States Interests Section

On specific steps toward greater engagement, the Bush Administration said in late 2008 that it considered staffing the U.S. interests section in Tehran with U.S. personnel, who would mostly process Iranian visas and help facilitate U.S.-Iran people-to-people contacts. The current interests section is under the auspices of the Swiss Embassy. The Bush Administration said in November 2008 that it would leave this decision to the Obama Administration, which appears inclined toward that step as well but which has said no decision has been made, to date. Some Iranian leaders, including Ahmadinejad, have said they might accept a U.S. interests section; but others have said this will not be approved by the Iranian side. A potential factor in the interests section decision could be a storming of a British diplomatic facility by 50 Iranian students on December 30, 2008 protesting what they said was Britain's bias toward Israel. In a related development, in February 2009, the British

Council, a global cultural institution run by the British government, said it had been forced to suspend its activities in Iran because of purported intimidation of its staff in Tehran. Further clouding the prospects for enhanced exchanges; in February 2009 Iran denied visas to a female badminton team to compete in Iran.

Previous Engagement Efforts

Prior to 2008, the Bush Administration directly engaged Iran on specific regional priority (Afghanistan and Iraq) and humanitarian issues. The U.S. had a dialogue with Iran on Iraq and Afghanistan from late 2001 until May 2003 when the U.S. broke off the talks following the May 12, 2003 terrorist bombing in Riyadh. At that time, the U.S. and Iran publicly acknowledged that they were conducting direct talks in Geneva on those two issues,¹⁴ the first confirmed direct dialogue between the two countries since the 1979 revolution. The U.S. briefly resumed some contacts with Iran in December 2003 to coordinate U.S. aid to victims of the December 2003 earthquake in Bam, Iran, including a reported offer—rebuffed by Iran—to send a high-level delegation to Iran including Senator Elizabeth Dole and reportedly President Bush’s sister, Dorothy. Bilateral meetings on Iraq were discussed [in the full report].

Regarding a broader dialogue with Iran on nuclear and other issues, since 2006—and prior to the July 2008 decision to have Undersecretary Burns attend the July 19 nuclear issues meeting—the Bush Administration maintained it would join multilateral nuclear talks, or even potentially engage in direct bilateral talks, only if Iran first [suspended] uranium enrichment. Some believe the Administration position was based on a view that offering to participate in a nuclear dialogue with Iran would later increase international support for sanctions and other pressure mechanisms by demonstrating the willingness of the Administration to resolve the issue diplomatically. Others believed that this precondition lessened the likelihood of a positive response by Iran and should be unambiguously dropped.

As part of the U.S. declared openness to talk with Iran if it complies on nuclear issues, the Bush Administration indicated that it considers Iran a great nation and respects its history; such themes were prominent in speeches by President Bush such as at the Merchant Marine Academy on June 19, 2006 and his September 18, 2006 speech to the U.N. General Assembly. Then Secretary of State Rice said in January 2008 that the U.S. does not consider Iran a “permanent enemy.” An amendment by then Senator Biden (adopted June 2006) to the *FY 2007 Defense Authorization Bill* (PL 109-364) supported the Administration’s offer to join nuclear talks with Iran.

Grand Bargain Concept

Some argue that the issues that divide the United States and Iran cannot be segregated and that the key to resolving the nuclear issue is striking a “grand bargain” on all outstanding issues. The Bush Administration did not offer Iran an unconditional, direct U.S. and Iran bilateral dialogue on all issues of U.S. concern: nuclear issues, Iranian support of militant movements, involvement in Iraq, and related issues. Some view this as a “missed opportunity,” saying that U.S. officials rebuffed a reported overture from Iran just before the May 12, 2003 Riyadh bombing to negotiate all outstanding U.S. and Iran issues as part of a so-called “grand bargain” that has been reported in various press articles. *The Washington Post* reported on February 14, 2007 (“2003 Memo Says Iranian Leaders Backed Talks”) that the Swiss Ambassador to Iran in 2003, Tim Guldemann, had informed U.S. officials

14. Robin Wright, “U.S. In ‘Useful’ Talks with Iran,” *Los Angeles Times* (May 13, 2003).

of a comprehensive Iranian proposal for talks with the United States. However, State Department officials and some European diplomats based in Tehran at that time question whether that proposal represented an authoritative communication from the Iranian government. Others argue that the offer was unrealistic because an agreement would have required Iran to abandon key tenets of its Islamic revolution, including support for Hezbollah.

Conclusion

Mistrust between the United States and Iran's Islamic regime has run deep almost three decades; and many argue that it is unlikely to be quickly overcome, even if the Obama Administration initiates—and Iran accepts—comprehensive direct talks with Iran. Many experts say that all factions in Iran are united on major national security issues and that U.S. and Iran relations might not improve unless or until the Islamic regime is removed or moderates substantially, even if a nuclear deal is reached and implemented. Many experts believe that Iran has become emboldened by the installation of pro-Iranian regimes in Iraq and Afghanistan and the new strength of Hezbollah in Lebanon and Hamas in Gaza and that Iran now seeks to press its advantage to strengthen regional Shiite movements and possibly drive the United States out of the Gulf. Others reach an opposite conclusion, stating that Iran now feels more encircled than ever by pro-U.S. regimes and U.S. forces guided by a policy of pre-emption and Iran is redoubling its efforts to develop WMD and other capabilities to deter the United States. Some say that, despite Ahmadinejad's presidency, the United States and Iran have a common interest in stability in the Persian Gulf and South Asia regions in the aftermath of the defeat of the Taliban and the regime of Saddam Hussein and that major diplomatic overtures might now yield fruit.